



ROBERT W. WIRCH

STATE SENATOR TWENTY-SECOND DISTRICT

March 5, 2008

Testimony on Senate Bill 471 before the Labor, Elections, and Urban Affairs Committee

Good morning Chairman Coggs and committee members. Thank you for holding a hearing on Senate Bill 471.

As you know, both federal and state policy encourage fire fighters and law enforcement officers to retire early so that we have younger men and women working in these rigorous positions.

The usual retirement age without a penalty for these professions is 54 years. Retirees are not eligible for Medicare until they are at least 65 years of age. That includes all police and some fire fighters. Some fire fighters never become eligible for Medicare.

Therefore when police and fire fighters retire many of them need to purchase private health insurance.

Last year, as part of a federal pension reform act (Pension Protection Act of 2006), Congress adopted a provision that enables a fire fighters or police officer to receive up to a \$3,000 income tax deduction if he or she uses \$3,000 of their retirement funds to pay for health insurance premiums.

The only catch is that the pension dollars need to go directly from the Employee Trust Fund to the insurance company. At the current time ETF does not have authority to do that.

SB-471 gives ETF that authority.

The amendment that is before you gives ETF staff the needed resources to set up the system (2.1 positions) and then to operate it (1.1 positions). It is important to note that these are not GPR positions but rather SEG funded internally from the Trust Fund. The amendment also delays implementation until Jan 1, 2009.

The Assembly Committee on State Affairs has passed the companion bill (assembly Bill 851 authored by Representative VanRoy) as amended 9-0. I hope that this Committee will pass this bill today.



STATE OF WISCONSIN
Department of Employee Trust Funds

David A. Stella
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: March 5, 2008

TO: Honorable Members of the Senate Committee on Labor, Elections and Urban Affairs

FROM: Matt Stohr, Director of Legislation, Communications and Planning

SUBJECT: 2007 Senate Bill 471

The Department of Employee Trust Funds opposes 2007 Senate Bill (SB 471) because the bill fails to provide the resources necessary for the Department to implement the new service for Wisconsin Retirement System (WRS) annuitants without affecting other services.

SB 471 would require the Department to withhold and remit health insurance and long-term care premiums for retired "public safety officers" who choose to have premiums deducted from their WRS annuity. In addition, the bill provides that the Deferred Compensation Board may require the Department's deferred compensation plan, upon election by a participant, to offer a similar service for deferred compensation accounts. To be clear, the Department and the Deferred Compensation Board support this latter requirement, as the costs could be absorbed under the current fee structure, however, the Department opposes the WRS portion of this bill.

If this legislation is enacted into law without the required resources, the Department will have to reprioritize existing and critical retirement-related service delivery to accommodate this new mandatory service which is currently optional under federal law. As referenced in the fiscal estimate, this bill would have a significant initial cost as well as an ongoing cost to the Department and the bill doesn't provide additional resources to the Department. In addition, this bill has an immediate effective date that is unachievable given the absence of resources.

The Department appreciates the willingness of the author to introduce Senate Amendment 1 to SB 471, which addresses our resource concerns and delays the effective date of the bill to January 1, 2009.

Thank you for considering our comments. Please do not hesitate to contact me at 266.3641 if you have any questions.